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THE CONSUMER IN THE MARKET: THE CHALLENGE FOR BOTH

Somewhere recently I read that the average American is exposed to more than 1,500 advertising messages every day.

Fifteen hundred a day! When I first saw the figure I thought I'd simply developed a case of double vision. But then I began to review my own day and the advertising media that cross my path. The morning newspaper. One day last week I counted 253 separate ads in my morning paper, not including the classifieds. Then there's radio--I noted four spot announcements on the morning newscast. I thought too of the billboards and other signs on my way to the office. The bus placards. The magazines and direct mail pieces in my mailbox at night. Television, of course, which may well be reaching more people than any other medium. Display signs in the department, grocery and variety stores I frequent. Door-to-door flyers. Even real live flyers. I've seen one enterprising Washington pilot who manages to tow four separate advertising banners in view of 40,000 spectators in the course of a single football game.

Yet despite this vast communications network, there's one very important message, it seems to me, that isn't getting through. Perhaps it's a communications problem that neither industry nor agriculture can entirely solve through advertising. But they might consider more emphasis in this direction. Certainly advertising media can help--

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Remarks by Deputy Assistant Secretary of Agriculture Trienah Meyers at the Tenth Annual Agriculture and Industry Conference, Utah State University, Hotel Utah, Salt Lake City, Utah, February 16, 1966.

newspapers through their financial and consumer interest columns, television through its public affairs programs. But I think we in government, in education, in public affairs can do a great deal to help.

The problem is simply this: How, in this glamorous age of moon shots and model car raceways can we interest this young nation of ours in a subject that's much closer to their daily lives, and pocketbooks--the give-and-take economics that underlies our free enterprise system?

I say "young nation" advisedly. Today over half the population is under 28. They're the half now getting married, setting up new households. But they're also the half that's grown up in an age of affluence and convenience and they'll expect more of the amenities of life as they go along. Chances are the young wife will work--one in every three wives now does--and she'll value the convenience items as both time and labor savers. Then too, these young people are now establishing--on modest incomes--the buying practices and habits they're likely to follow the rest of their lives.

So how do we explain to these young men and women the chain reactions of economics? We all want a higher income. This means wage increases. But unless workers turn out more work to offset wage increases, prices of consumer goods will probably go up too. And this in turn creates new pressures for new wage hikes all along the line.

How do we show them that the convenience features added at our request by manufacturers--drip-dry shirts, self-cleaning stoves, TV dinners--will certainly save us time but may add somewhat to the cost? The "by request" is important to remember. Items do not appear--or continue--in the marketplace unless consumers want them in adequate quantity to justify cost of production and distribution.

How do we explain the relationship between supply and price? When supplies are scarce, prices are usually going to climb. But the reverse is also true. When supplies are abundant, prices will usually fall--all other things being equal.

How do we get across the message that give-and-take economics is just that--some economic factors are beyond the consumer's control but many are not? Careful shopping does save money.

I think this many faceted problem is more acute in the food industry than in most. And I believe there are several reasons.

As opposed to clothing or cars or books, food is the one item we must have--every day, every week, every year. Eyeing a new hi-fi set, we may subconsciously resent the money we spend for food. But it has to be spent.

Another reason, it seems to me, is that food is the one big item that isn't automatically built into the budget. We commit ourselves in the beginning to monthly payments for rent or house mortgage, the family car, maybe even two cars, the washing machine, the set of encyclopedias for the youngsters and other consumer items. We allow for life and other insurance coverage, hospitalization, normal doctor and dental bills. These are budgeted expenditures and we tend to pay for them regularly by check.

Food, on the other hand, we buy for cash. And most times, for most of us, it's the cash left over after other commitments have been met. If this cash residue won't stretch far enough every week to include favorite foods, then we may blame the price of food, be it high or low in relation to other years or in relation to other types of goods and

services this year. Actually, from 1960 to 1965 food prices went up only 7.3 percent. Medical care rose 13.1 percent, public transportation 13.5 percent--to mention just two of our major categories of expenditures.

Then, too, I think many consumers have a price ceiling built into their thought processes for a few of the commodities they buy regularly. If the price of one or two items goes above this mental ceiling, they think all food prices are up. I know one person who gauges the state of the entire economy on how and when the price of bacon fluctuates.

A study by a large retail food company showed that its customers keep track of the price of nonfood items they buy in the grocery store much better than they do food prices. More customers knew the exact price of national brands of cola drinks, cigarettes and cleansing tissue than they did the exact price of sugar, flour, margarine and coffee. Incidentally, nonfood items account for 20 percent of the average <u>grocery store</u> bill--the bill we may think of as the <u>food</u> bill.

So this is the nature of the problem--a general unawareness among many consumers of how the economics of food marketing really works.

In my few minutes this afternoon I'd like to touch briefly on some of the basic economic factors that are at work. First I'd like to call attention to the quiet revolution over the last 20 years or so that has brought about a major change not only in our economic but in our social life--the countless innovations in food marketing that have meant improvements in the foods we eat, the way we buy them, the services we get, the time we save.

Somewhere recently I saw a quote that pretty well illustrates how major changes like this get themselves translated into the wit and humor of America.

Pushing her grocery cart past the frozen food counter, a young homemaker looks up quizzically and says to her husband: "I don't understand all this business about the good old days. Food mav have been cheaper, but you had to cook it."

Yes, convenience foods, a postwar innovation in the food marketing industry, do save time--lots of time. They come pre-washed, pre-cut, pre-cooked, pre-packaged. They turn up as processed potatoes, TV dinners, brown-and-serve rolls, de-boned turkey, frozen shrimp, frozen pies and cakes, and in many other forms.

I don't think today's young consumers realize that convenience features really are added services. How could they, really? They've never had to wash spinach like their grandmothers did--for 20 minutes before cooking--only to find at the dinner table that the spinach is still gritty. They've always heated frozen french fries in the oven. They've never faced the splatter of hot grease or the problem of how to dispose of the used grease. These things have been done for them by the food industry which last year employed nearly 5 million people and added $48 billion in services to the value of foods after they left the farm.

Frozen or canned or boxed, convenience foods provide supplies of our favorite foods year round anywhere in the country. Remember when fresh strawberries with cream were a special treat--but only in season? Today I serve strawberries all winter, partly as a touch of summer in the midst of all the snow and sleet. But even in summer, shopping as I do at the end of the day, I often choose to take the uniform quality of frozen strawberries rather than the picked-over fresh ones.

Farmers have benefited, too, from the food industry's knack for putting tried-and-true American favorites in new forms. Take the potato. Soon after the turn of the century we began to eat fewer and fewer potatoes as income improved, and we switched to more meat, vegetables and other less-starchy foods. Potato consumption is now on the upswing, thanks to instant mashed potatoes, potato chips, frozen french fries and other processed forms developed by food manufacturers.

Incidentally, many convenience foods, despite the services added by the processor, actually cost less than the same foods purchased in fresh or unprocessed forms. Frozen orange juice is cheaper than fresh. Frozen lima beans cost less than fresh. Canned corn, canned spinach canned asparagus, spaghetti and beef stew all are better buys than their fresh equivalents or the various ingredients to make them. This is because processing has reduced the weight, made them easier and thus cheaper to ship and store, or in other ways lowered their marketing costs. However, because of the services added by the processor, most convenience foods do cost a little more.

Another postwar innovation in the marketing system that's on the top of my list is one-stop shopping--the rise of the supermarket. How much time--and gasoline--do we save every week because food retailers moved out to the suburbs where many of us live and have put meat and produce and ice cream, paper napkins and baby powder and aspirin all under one roof? The average supermarket stocks 6,000 to 8,000 items, and I know I find it a real convenience.

Another real innovation, in my opinion, is today's packaging of everything from pre-washed celery to pre-cut meat. Picking up a package of pork chops from the meat counter is faster than standing in line at

the butcher's. And thanks to Federal, State and industry inspection and controls, meat, poultry and other food items are every bit as sanitary as they look. By the way, because of innovations in the way poultry is produced and marketed, frying chickens last year cost the consumer 18 cents a pound less than back in 1955.

I like the supermarket's fringe benefits, too. Free parking and lots of it close to the entrance. Free air-conditioning in summer. Free coffee served to customers in winter. Free check-cashing service. I've heard it said that the nation's supermarkets have become one of the nation's largest de facto banks. They cash a large portion of the national paycheck every week.

These are some of the innovations in food marketing that the public can see at a glance. But just as many have occurred farther back in the marketing system.

One of these less visible changes is the paper carton for milk. The throwaway carton eliminated the bottle return problem for food stores and put milk in supermarkets at lower prices than on home-delivery routes. Also, factory-packed ice cream moved from the drugstore to the food store at substantial savings to consumers. Grocery warehouses now provide faster service than they used to, thanks to suburban locations, one-floor construction with ample space and access to rail lines and freeways. And retail food chains have initiated "private brands." These are the canned vegetables, the frozen fruits, the potato chips and many other products that are processed and packaged directly for an individual chain. The private brands are frequently cheaper than nationally advertised brands.

Transportation, too, has had its share of innovations. Frozen foods wouldn't get far from plants without the refrigerated railcars and trucks developed over the last two decades. And development of the oversize hopper cars has enabled railroads to cut transportation rates for grain in many parts of the country.

Now let's look at a few of the economic interactions that affect the food industry--and food prices. I have my own six point checklist of questions that consumers ask the most:

1. Why do food prices go up? No one ever asks why food prices go down. Last fall beef and pork prices went up. Why? Because production of cattle and hogs didn't keep up with the public's ever-growing demand for meat. Well, why hadn't farmers raised enough animals?

Because the year before farmers overproduced, there was an abundance of meat on the market and retail prices fell--to the lowest levels since 1957. This type of chain reaction gets back to the farm fast. Prices farmers received for their livestock fell, too, and this meant farm income declined. To cut their financial losses, producers tended to reduce production or even halt it. This was especially true of hog production, which is faster to get in and out of than the cattle business. As a result, 1965 season found fewer beef cattle and hogs old enough and heavy enough to market.

In an economy like ours, food prices always fluctuate, year by year, sometimes month by month, even week by week.

2. How weather affects supply. Despite flood control, contour plowing and smudge pots, farmers--like urban dwellers--are still virtually powerless before the onslaughts of nature. The blizzard that swept the

nation a couple of weeks ago covered the Florida citrus belt as freezing rain. When this happened in 1962 much of the crop was lost. With short supplies in prospect the price of a 6-oz. can of frozen orange juice in retail stores jumped from 12 1/2 cents to 37 cents in a single week. This time the citrus growers--and consumers--have been luckier. There was less crop damage and supplies are expected to be adequate.

Closely related to weather, of course, are the seasons. Consumers should expect to pay more for lettuce, corn, tomatoes and other fresh produce in February than they pay in August because there isn't much around. Only California, Arizona and Florida produce winter lettuce, for instance.

3. Does geography matter? We've had a number of letters from residents of the Rocky Mountain area in the last few months. Mostly they're concerned about food prices. Many believe prices are higher in this area than in the East and they cite higher transportation costs as the reason.

One of our economists subscribes to many newspapers from big cities all over the country. She keeps tabs on the prices of various commodities in the grocery ads week by week. Since we didn't have the Salt Lake City papers, I asked her to compare advertised prices in Denver for a two-week period in January with those in Washington, D.C., Chicago, Portland, Oregon and Seattle. We found that pork chops, for example, were advertised at 19 cents a pound cheaper in Denver than in Washington. Butter was 6 cents less in Denver than in Chicago, 4 cents cheaper than in Washington. Chuck roast was exactly the same in Denver and Washington--43 cents a pound. Sirloin steak was the same in Denver and Seattle--95 cents.

In general, our various studies show that food prices don't vary much nationwide as may have been the case years ago. This, of course, assumes we're talking about the same type of food stores nationwide. Prices in the smaller independent stores tend to be somewhat higher than in supermarkets. But there's a reason for this, too. The independent dealer usually has a small store and his overhead costs are larger in proportion to what he sells than in the supermarket.

4. Do retail chains make a higher profit when food prices go up? This is another question consumers ask. Well, we have the preliminary figures for the first three quarters of 1965 for 14 leading food store chains. They show that net profits as a percent of sales haven't changed at all since 1957-- each year they've run about 1.2 percent. Profit rates for food manufacturers also have remained relatively stable since 1957. They ranged from 2.1 to 2.6 percent of sales. In contrast, we find that profits as a percentage of sales in the motor vehicles and equipment industry averaged about 7 percent in the first three quarters of 1965. Basic chemicals ran 8.4 percent. However, in the food industry --like other industries--total dollar profits have varied with prices and the volume sold.

Farmers did benefit from price increases last year. Total realized net farm income was $14.1 billion--up more than $1 billion over 1964 and the highest since 1952. But prices farmers paid also went up and the farm population's disposable income per person was still only $1,500-- and that's only about three-fifths of the average income of nonfarm people.

Buy most of your groceries on weekends. Stores tend to run their sales then. A comprehensive study of retail prices in a typical city of 100,000 showed that prices for many important items were lower on Friday than on Tuesday.

The individual consumer spends about 18 percent of his take-home pay for food. This is the national average. But this, of course, will vary with how much you entertain and how much you simply like to eat. Gourmet foods command gourmet prices.

Size of family can make a tremendous difference. We find that when a couple is first married they may spend about $20 a week for food. The first child adds about $3 a week to the bill. This jumps another $4 with the second child. When the two youngsters become teenagers the family is spending about $37 a week for food--about twice what it cost when the couple was first married.

In closing I'd like to recommend to you, your business associates, your friends and neighbors three of our more recent publications issued in the interest of consumers. (Hold up Quick Credit Guide) This I submit as one of the smallest documents ever issued by the Department of Agriculture. And I find it one of the most useful. It's a guide on how to figure actual interest rates when you charge purchases. Nearly a million copies have already been distributed. For our citizens of Puerto Rican and other Spanish-speaking extractions it's also been issued in Spanish. I'd like each of you to have one--in the language of your choice.

5. Why does the nation's food bill get higher every year? The first and most obvious answer, of course, is that we have more people every year. Then, too, the economy is prosperous. We have more money to spend--so we're buying higher value foods, more meat and cheese, fewer cereals. And there's another relatively new factor. We're eating out more. The increase in spending in restaurants, hotels and other away-from-home eating places has practically soared off the graphs. Back in 1940 we spent only $4 billion. By 1965 the figure had increased five fold to $20 billion. And our studies show that when we eat out we're paying more for service than we are for food.

6. What can consumers do to get the most for their food dollar? There are a number of things. Watch the newspaper ads. Plan meals around sale items, especially meats, fruits and vegetables since they take nearly half of every dollar spent.

Shop around the neighborhood stores. But don't shop all over town. You spend more time than you save money. Know what you're going to buy before you shop. Impulse buying is expensive.

Most times the large-size can, or box, or package is cheaper per unit than the small. Our economists have kept a running check on newspaper ad prices of a number of commodities most of us use all the time. To take just two--frozen orange juice and shortening--we found that shortening is almost invariably a better buy in the large size. Most times frozen orange juice is too but not always. So it does pay to compare unit prices of food items, when the units are easy to compare.

Then there's the USDA Guide to Consumer Services. This is a sort of ready reference to food shopping, cooking, health in the home, clothing and fabrics, gardening and other subjects the homemaker may want information on. So far we've sent out half a million copies of this, and we're now reprinting.

And this is the unabridged edition. It's the 1965 Yearbook of Agriculture and it's called Consumers All. It contains 128 separate articles, written by specialists, on such things as how to get a well-built house, whether to own or rent, basic points of landscaping, clothing for the family. There's a food section, too, with tips on how to store frozen foods, how to cook poultry, how to cook out--and many more. Over 300,000 of these have been distributed, primarily by Members of Congress. And a commercial publisher has just reprinted it for the bookstore trade.

Consumers All is a fitting title, I think. Too often we may be inclined to think of the consumer as someone vague out there in another town, another state, another part of the country. He's the mythical man on which they build all those national statistics.

This isn't true, of course. Consumers are you and me, the residents of this beautiful city--and may I say just how beautiful I think your city is--this State, this Nation.

We all sit on the board of directors of the Nation's food marketing industry. Ultimately we make the decisions--through the products we accept or reject--through the services we buy or bypass--through the prices we are willing to pay or the lower priced food we're willing to substitute.

As the corporate board we American consumers have 200 million proxy votes.

Let's make them informed votes. Consumers all will benefit.
